

China's Law of Planning under the socialist market economy system

<https://hdl.handle.net/2144/29933>

Boston University

Nov. 1993

**China's Law Of Planning
Under The Socialist Market Economy System
(Tentative Draft)**

Foreword

The socialist market economic system was formally defined at the 14th National Congress of the Chinese Communist Party. It is different from both the contemporary free market economic system and the old planned economic system that China used to have. In contrast, it is a totally new economic system, created on the basis of the practical situations of China and the experience of some Western countries in their practice of the free market economic system.

The basic principles of the socialist market economic system are: maintaining the leading role of state-owned enterprises in the national economy; making use of various means, including legal, economic and planning, in the macroscopic regulations of the operation of the economy; using the market as a main means of allocating resources; promoting fair competition and breaking up monopoly; ensuring continuous, stable and harmonized economic development and comprehensive social progress.

The socialist market economic system demands that the national economic development and comprehensive social progress be controlled by macroscopic regulations while enjoying considerable flexibility in microcosmic terms. It also demands that market mechanism be optimized and that its blindness be avoided. Therefore, in macroscopic regulations, the state shall strengthen the interaction and balance among all the policies and measures and allow planning to play a guiding role in adjusting economic operations so as to promote the normal development of all the economic activities.

Under the socialist market economic system, plans are just one of the means that the state uses to regulate national economic development and comprehensive social progress. In making use of the plans, the state should obey the requirement of the law of value and stay away from interfering in regular market activities. In a word, plans should serve as a supplement and optimization of the market.

The functions^{of plans} under the socialist market economic system include: planning future targets of national economic development and social progress; preparing relevant policies and measures to reach the targets; arranging the general supply and demand of the national economy and social progress; forecasting the development trend of national economy and social progress; supervising managerial policies and measures; fostering and guiding the

activities of the main part of the market; using a part of the financial resources to regulate and support the development of basic industries and the underdeveloped areas.

The socialist market economic system demands that the developing plans of national economy and social progress be in harmony with the financial plans, especially that their respective policies and managements be in accordance with each other.

**Tentative Draft Of The Law of Planning
Under The Socialist Market Economic System
November 5, 1993**

Part One. General Principles

1. China shall practice socialist market economic system and make use of both the market and plans to regulate the economy.

2. The nucleus of the socialist market economy is fairness, efficiency, stability and harmonized development.

3. The targets of macroscopic regulations under the socialist market economy are:

- a. stable economic growth rate;
- b. stable prices and controllable inflation;
- c. full employment;
- d. favorable balance of international payment;
- e. balanced economic development of all areas and rationalization of industrial structure.

4. Under the socialist market economic system, the market is a main means of allocating resources, while plans are an important macroscopic regulatory means.

5. The state should obey economic rules and the law of value in its use of plans so as to regulate economic operations effectively.

6. The state plans the development of the whole economy and provides guidance for economic operations through making ten-year, five-year and annual economic plans.

Use of Law, 12. 12.

Part Two. Plans And The Market

7. In order to avoid blind development of the market, the state shall help create markets of production materials, consumer commodities, financial resources, labor forces, technology, real estates and culture, and regulate the relationship among these markets.

8. In order to maintain the continuous, stable and harmonized development of the national economy, the state shall use the means of planning to allocate certain amount of capital to the development of basic industries, education, science and technology, and public health, etc..

9. In order to narrow the gap between China's developed and underdeveloped areas, the state should use the means of planning to allocate certain amount of capital to support the development of the poor and underdeveloped areas.

10. In order to guarantee the minimum living standard of the people, the state shall use the means of planning to allocate certain amount of capital to help the old, the sick, the disabled, women, children and those who have lost their working abilities.

11. In order to maintain stable market prices and to prevent high inflation, the state shall use the means of planning to regulate, according to the changes of the market, the prices of some commodities that are vital to the national economy and people's livelihood.

12. In order to prevent monopoly of the market by certain enterprises, the state shall use financial and taxing means as well as price policies in a planned manner to regulate the operations of the market and the distribution of income so as to maintain fair competition.

13. In order to carry out the above-listed tasks of macroscopic regulation of the economy, the state shall set up the Economic Planning Coordination Committee (the EPCC).

14. The EPCC is a subordinating agency of the State Council, and it shall report to the State Council.

15. The EPCC is supervised by the State Council, the National People's Congress and its Standing Committee.

Part Three. Responsibilities Of The EPCC

16. The EPCC is a comprehensive coordination agency of

macroscopic economic regulation. It is in charge of regulating the relationship among all the parts, deciding macroeconomic policies and guiding the market operation and microeconomic activities.

17. The EPCC coordinates financial policies and decides the general supply of money such as:

- a. printing and issuing money;
- b. deciding the direction and key projects of credit investment;
- c. deciding the scale and rate of credit investment.

18. The EPCC coordinates the state's budget policy and planning. It also coordinates the relationship among the financial, planning and banking policies which include:

- a. ratio of overhead to economic development expenditure, and their respective quantities;
- b. national revenues and taxation policy;
- c. quantity, scope and measures of financial subsidies;
- d. quantity and plans of national deficit;
- e. issuance of state bonds and relating measures.

19. The EPCC coordinates the contents, policies and measures of economic plans, financial plans and plans of credit investment.

- a. coordinating the long-term targets, policies and measures of national economic development and social progress with those of the financial, monetary and credit plans;
- b. maintaining consistence in the short-term targets, policies and measures of national economic development and social progress and those of the financial, monetary and credit plans;
- c. coordinating basic industries and key investment projects with the budget and supply of credit.

20. EPCC coordinates the general supply of the domestic market, and decides general prices and price policy.

- a. coordinating trade policies of various areas and trades;
- b. coordinating general prices of commodities in various

areas and trades;

- c. controlling of freezing the prices of some commodities in case of emergence;
- d. coordinating the relationship between price and money supply, between price policy and financial policy.

21. The EPCC coordinate import and export trade policies. It also coordinates the relationship between the domestic market and the international market.

- a. coordinating the quantity, variety and prices of import and export commodities;
- b. coordinating the relationship between domestic trade policy and international trade policy;
- c. coordinating the relationship between tariff and domestic tax;
- d. coordinating the relationship between the international balance of payment and the domestic balance of payment;
- e. coordinating policies and measures of bringing in qualified personnel and importing technologies;
- f. coordinating policies and measures of labor export and capital import.

22. The EPCC is responsible for coordinating the relationship among macroeconomic laws, regulations and rules, as well as that among macroeconomic managerial organs, such as:

- a. relationship between macroeconomic laws and regulations;
- b. relationship between macroeconomic regulations and macroeconomic rules and policies;
- c. relationship between macroeconomic laws, regulations, rules and other laws, regulations and rules;
- d. the overlapping of responsibilities of various macroeconomic managerial organs.

Part Four The Setups And Working Procedures Of The EPCC

23. The EPCC consists of 15 representatives coming from the macroeconomic managerial organs of the State Council, the direct-planning enterprises group, the Union organizations and Consumer

Association.

a. Economic Planning Ministry	1
b. Ministry of Finance	1
c. Central Bank	1
d. Ministry of International Economic and Trade Cooperation	1
e. Ministry of Domestic Trade	1
f. State Statistic Bureau	1
g. Council of Reconstructing Economy	1
h. National Union	3
i. Key enterprises group	2
j. Consumer Association	2

24. A Deputy Prime Minister shall hold the concurrent post of the President of the EPCC, and the Minister of Planning shall be the Vice President of the EPCC. Other administrative senior officials of the economic managerial departments will be the members of the EPCC.

25. The 3 representatives from the Union organization are to be selected by the Nations Union. The 2 representatives from the key enterprises group are to be selected by the key enterprises through consultation. And the 2 representatives from the Consumer Association will be elected democratically by the Association itself.

26. The President of the EPCC may, if he^{or} she sees it as necessary, appoint administrative senior officials from other departments to take part in the meetings of the EPCC, but they may not become standing members of the Committee.

27. The working procedures of the EPCC are:

- a. The EPCC shall be convened twice a month, and more meetings may be arranged if the EPCC regards it as necessary;
- b. The agendas and contents of the meetings are to be arranged by the Economic Planning Ministry with the consent of the President of the EPCC, and members are to be notified before the meetings;

- How public?*
- c. All members of the EPCC should come to the meetings on time and give their opinions. If one can not attend the meeting for any reason, prior consent must be obtained from the President and a written comment on the topics of the meeting should be submitted.
 - d. All members of the EPCC are entitled to put forward any topic for discussion. However, the proposals should be made in written form and they will consequently be arranged for discussion as an agenda topic by the Economic Planning Ministry with the consent of the President of the EPCC;
 - e. The EPCC shall adopt the form of democratic consultation in discussion. The President shall report the general opinions to the State Council.
 - f. If the EPCC can not reach a general consensus on a specific issue, the President should submit all the different opinions to the State Council.
 - g. Written reports should be made of the general opinions that have been reached through consultation by the EPCC, and be dispatched to all the relevant departments. It is up to the President to decide which departments are included in this regard.

28. The rights and duties of the members and representatives of the EPCC are:

- a. Every member and representative is entitled to free speech without legal liability;
- b. Every member and representative has the right of relate to the President his own opinions and proposals;
- c. Every member and representative has the right to solicit opinions from the public;
- d. Every member and representative has the duty to report to the Committee the state of affairs of his own department and provide related information;
- e. Every member and representative has the duty to act in accordance with the general consensus reached by the Committee;
- f. Every member and representative has the duty to maintain the contents of the meeting and the decisions made by the Committee confidential.

Part Five Responsibilities And Working Procedures
 Of The Economic Planning Ministry

29. The Economic Planning Ministry is the working organization of the EPCC. Its responsibilities include:

- a. to carry out the decisions made by the EPCC and report to it the state of affairs;
- b. to organize and arrange meetings of the EPCC, draft relevant working documents, and make preparation for the meetings;
- c. to take charge of drafting the ten-year, five-year and annual plans of economic development and social progress as well as plans of national land use and key projects construction;
- d. to take charge of working out industrial policies, forecasting the movement of macroeconomic operations, and pricing policy and measure proposals for the problems that have occurred in macroeconomic operations;
- e. to take charge in collecting and working on information about macroeconomy so as to provide certain basis for the decision-making for the EPCC;
- f. to take charge of drawing up investment plans of key national projects; to exercise examination, approval and supervision power over the key projects;
- g. to take charge of drawing up national price policy and deciding the prices of some commodities;
- h. to inform the public, in a regular manner, of the situation of macroeconomic operations, release information about the economy and provide guidance for the market activities;
- i. to take charge of supervising, implementing, examining and evaluating the plans of economic developments and social progress;
- j. to manage the direct planning enterprises group.

30. As an implementation organization of the EPCC, the Economic Planning Ministry has the following working procedures:

- a. conducting extensive research on the operation of macroeconomy, collecting all the information, and submitting

reports made on that to the EPCC;

- b. making follow-up investigations and evaluations of the implementation of the policies made by the EPCC and submitting reports on this issue to the Committee;
- c. In drawing up the ten-year, five-year and annual plans, the Economic Planning Ministry should follow the procedures of:
 - (1) submitting the tentative plans to the EPCC for discussion;
 - (2) sending the tentative plans, with the consent of the EPCC, to subordinating departments for discussion;
 - (3) collecting all opinions on the tentative plans, modifying them and submitting them to the EPCC for examination;
 - (4) sending drafts of the tentative plans to the subordinating departments, and making them draw up the drafts of the plans;
 - (5) drawing up drafts of the ten-year, five-year and annual plans on the basis of the drafts submitted by all the departments;
 - (6) organizing Union representatives, enterprises representatives, specialists and scholars to have discussions, examinations and modifications of the drafts of the plans;
 - (7) submitting the modified drafts to the State Council for examination after having them discussed by the EPCC;
 - (8) submitting the drafts of the plans to the National People's Congress after they have been examined and returned by the State Council;
 - (9) The drafts of the plans, after being approved by the National People's Congress, become official plans of economic development and social progress, and they should be announced and be implemented by the State Council.

31. As the implementing organization of the EPCC, the Economic Planning Ministry has the right to require all macroeconomic managerial department and other relating departments to provide information and reports.

32. All macroeconomic managerial departments should act in line with the Economic Planning Ministry in carrying out the policies of the EPCC.

33. The Economic Planning Ministry shall establish certain information and consultation agencies. In addition, some institutions should be set up to conduct evaluation and research.

Part Six Legal Liability

34.

35.

36.

37.

38.

Part Seven Supplementary Articles

39.

40.

Oct. 4, 1994

Han - discussing Japan - 1945 - to now

I. Brief intro:

A. 720x incr. car prod.

Jap gov't ind'l pol = impt. role:

(1) Transport law: cars defined + const. roads = fin.
= 5 yr. rd const plan/gas tax/'60s-'70s = 40% of pub
wks exps.

(2) Prot'n + prom'n pols @ excl. for vehicles + ~~promote int'l~~
~~comp~~ = tariffs, taxes, for. exchg contrs/ impts + for invs.
b) 3k int'l ^{dwel. bkr} subsids; excl. imptd eqpt/tariffs -

Ch = target ind/cars - prot'n, prom. pols → probs: ① stalled facts =
insuffic. - out put/unit = too sml, too many facts → Q: why
sml facts exist = ① high prices, high profits; ~~but~~ ② D & S =
no for. comp/S., no pressure to incr. prod. Similar prob/

?? Jap → merged producers

Gov't prot'n + prom = permitted profits → many firms coexisted.
if ~~Jap~~ ^{gov't} wants to impr. prod, shd permit for comp.

For other inds - eg steel, iron, petro-chem = similar probs -
= Encourage more mfrs → reduce prices → entry scale, incr.
prod.